COMPANY UPDATE

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HD Hyundai Heavy Industries (329180)

Earnings miss due to one-off costs

- HD Hyundai Heavy Industries reported consensus-missing 4Q results, but due mainly to the payment of excess performance bonuses.
- This issue is considered a one-off event rather than a structural increase in wage levels.
- Instead, investors should focus on two key positive trends—1) sales growth driven by higher vessel prices and improved productivity; and 2) a recovery in profitability at the offshore business. As earnings momentum should continue into 2026, we maintain our BUY rating.

WHAT'S THE STORY?

4Q earnings miss due to one-offs: HD Hyundai Heavy Industries' 4Q sales were in line with consensus, but operating profit fell short by 22%. Despite a one-off gain at the offshore business (KRW47.1b in change order compensation) and favorable exchange rates, excess performance bonuses weighed on the bottom line. As the bonuses were paid for exceeding the company's 2025 performance targets, they should not impact base salary levels going forward. In addition, the slowdown in engine segment sales was due to a shift in delivery schedules (nb, engine revenue is recognized upon delivery). Overall, we see the 4Q earnings miss as a temporary phenomenon.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW890,000	64.8%
Current price	**KRW540,000**	
Market cap	KRW56.7t/USD38.8b	
Shares (float)	104,961,225 (30.7%)	
52-week high/low	KRW648,000/KRW275,500	
Avg daily trading value (60-day)	KRW155.3b/ USD106.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai Heavy Industries (%)	-11.3	15.8	73.6
Vs Kospi (%pts)	-23.2	-29.9	-17.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	890,000	890,000	0.0%
2025E EPS	13,486	13,858	-2.7%
2026E EPS	26,421	26,127	1.1%

SAMSUNG vs THE STREET

No of estimates	14
Target price	799,286
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	5,193	29.6	17.5	-1.4	-0.0
Operating profit	575	103.8	3.2	-18.9	-22.5
Pre-tax profit	574	19.6	0.5	-15.5	-30.7
Net profit	490	33.6	13.7	-7.4	-10.0
Margins (%)					
Operating profit	11.1				
Pre-tax profit	11.0				
Net profit	9.4				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	77.1	40.0	20.4
P/B	8.4	8.6	5.1
EV/EBITDA	55.8	23.3	13.0
Div yield (%)	0.4	1.0	1.4
EPS growth (% y-y)	2,417.7	92.6	95.9
ROE (%)	11.4	23.0	31.3
Per-share data (KRW)			
EPS	7,001	13,486	26,421
BVPS	64,259	63,045	105,946
DPS	2,090	5,661	7,500

Key positives to watch: Two positive factors deserve attention. First, sales increased 18% q-q, despite similar working days q-q, showing that the growth was largely driven by improved productivity and higher vessel prices—both structural improvements. Second, the offshore business showed margin improvement, with profitability approaching 10% even after excluding the one-off gain. As major projects ramped up, sales grew—suggesting that a recovery in sales can lead to faster profitability improvements. In sum, the company's profitability remains on an upward trend, and earnings momentum should remain intact throughout 2026. Also noteworthy is that order momentum is expected to remain strong, with the company targeting a 36% y-y increase in orders. Given the company's conservative approach and track record of meeting order targets, we see the goal as achievable. The target likely includes large overseas defense orders, which are favored by the market. Valuation remains attractive relative to peers. The stock remains our sector top pick.

HD Hyundai Heavy Industries: 4Q review

(KRWb)	4Q25	3Q25	Chg (% q-q)	4Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	5,193	4,418	17.5	4,006	29.6	5,194	-0.0	5,264	-1.4
Operating profit	575	557	3.2	282	103.8	742	-22.5	709	-18.9
Pre-tax profit	574	571	0.5	480	19.6	828	-30.7	679	-15.5
Net profit*	490	431	13.6	367	33.6	544	-10.0	529	-7.4
Margins (%)									
Operating profit	11.1	12.6		7.0		14.3		13.5	
Pre-tax profit	11.0	12.9		12.0		15.9		12.9	
Net profit*	9.4	9.8		9.2		10.5		10.0	

Note: *Controlling
Source: Company data, FnGuide, Samsung Securities estimates

HD Hyundai Heavy Industries: Earnings, by division

(KRWb)	4Q25	4Q25	3Q25	Chg (% q-q)	4Q24	Chg (% y-y)
Sales						
Shipbuilding	3,815	3,815	3,055	24.9	3,024	26.2
Offshore/Plant	553	553	281	97.0	203	172.9
Engine & Machinery	801	801	1,060	-24.5	757	5.8
Others	24	24	22	10.0	23	6.6
Operating profit						
Shipbuilding	437	437	397	10.0	257	69.7
Offshore/Plant	97	97	1	19,260.0	4	2,261.0
Engine & Machinery	147	147	220	-33.1	93	58.2
Others	-106	-106	-60	nm	-72	nm
OPM (%)						
Shipbuilding	11.4	11.4	13.0		8.5	
Offshore/Plant	17.5	17.5	0.2		2.0	
Engine & Machinery	18.4	18.4	20.8		12.3	

Source: Company data

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**11,964**	**14,486**	**17,581**	**24,343**	**27,978**
Cost of goods sold	11,309	12,993	14,722	19,660	21,856
Gross profit	**655**	**1,494**	**2,858**	**4,683**	**6,121**
Gross margin (%)	5.5	10.3	16.3	19.2	21.9
SG&A expenses	476	789	821	1,053	1,184
Operating profit	**179**	**705**	**2,038**	**3,630**	**4,937**
Operating margin (%)	1.5	4.9	11.6	14.9	17.6
Non-operating gains (losses)	**-144**	**93**	**-237**	**77**	**143**
Financial profit	631	964	535	652	799
Financial costs	1,124	3,244	721	1,058	1,230
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	349	2,373	-51	483	574
Pre-tax profit	**34**	**798**	**1,801**	**3,707**	**5,080**
Taxes	10	177	385	890	1,219
Effective tax rate (%)	28.2	22.1	21.4	24.0	24.0
Profit from continuing operations	25	622	1,416	2,818	3,861
Profit from discontinued operations	0	0	0	0	0
Net profit	**25**	**622**	**1,416**	**2,818**	**3,861**
Net margin (%)	0.2	4.3	8.1	11.6	13.8
Net profit (controlling interests)	25	622	1,416	2,773	3,800
Net profit (non-controlling interests)	0	0	0	44	61
EBITDA	457	1,011	2,359	4,038	5,357
EBITDA margin (%)	3.8	7.0	13.4	16.6	19.1
EPS (parent-based) (KRW)	278	7,001	13,486	26,421	36,203
EPS (consolidated) (KRW)	278	7,001	13,486	26,844	36,782
Adjusted EPS (KRW)*	278	7,001	13,486	26,421	36,203

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**8,800**	**10,403**	**14,459**	**21,065**	**26,758**
Cash & equivalents	928	1,258	3,092	5,351	8,457
Accounts receivable	1,099	1,393	1,927	2,668	3,066
Inventories	1,310	1,511	1,927	3,001	3,449
Other current assets	5,463	6,242	7,514	10,045	11,786
Fixed assets	**8,334**	**8,988**	**9,282**	**12,554**	**12,521**
Investment assets	308	1,070	1,070	1,070	1,071
Tangible assets	6,452	6,610	6,721	9,994	9,984
Intangible assets	108	128	102	101	78
Other long-term assets	1,465	1,180	1,389	1,389	1,388
Total assets	**17,134**	**19,391**	**23,742**	**33,619**	**39,278**
Current liabilities	**9,945**	**11,796**	**14,372**	**18,772**	**19,939**
Accounts payable	1,299	1,535	1,927	2,734	3,143
Short-term debt	960	28	800	700	500
Other current liabilities	7,686	10,233	11,645	15,337	16,297
Long-term liabilities	**1,981**	**1,890**	**2,752**	**3,727**	**5,468**
Bonds & long-term debt	1,569	752	472	292	162
Other long-term liabilities	412	1,139	2,281	3,436	5,306
Total liabilities	**11,926**	**13,686**	**17,124**	**22,499**	**25,407**
Owners of parent equity	**5,207**	**5,704**	**6,617**	**11,120**	**13,871**
Capital stock	444	444	444	525	525
Capital surplus	3,123	3,123	3,123	5,145	5,145
Retained earnings	773	1,288	2,201	4,309	7,059
Other	868	850	850	1,142	1,142
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**5,207**	**5,704**	**6,617**	**11,120**	**13,871**
Net debt	2,067	-238	-1,688	-4,254	-7,702

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**169**	**2,884**	**1,819**	**4,041**	**3,834**
Net profit	25	622	1,416	2,818	3,861
Non-cash profit and expenses	222	149	715	1,044	1,181
Depreciation	268	293	307	395	409
Amortization	10	13	15	12	12
Other	-56	-157	393	637	760
Changes in A/L from operating activities	-77	2,114	-311	180	-1,208
Cash flow from investments	**-478**	**-499**	**-418**	**-1,502**	**-398**
Change in tangible assets	-469	-452	-418	-1,502	-398
Change in financial assets	244	-1,282	0	0	0
Other	-253	1,235	0	0	0
Cash flow from financing	**503**	**-2,049**	**433**	**-280**	**-330**
Change in debt	369	-532	433	-280	-330
Change in equity	5	-1	0	0	0
Dividends	0	-186	-354	-444	-735
Other	129	-1,330	354	444	735
Change in cash	184	330	1,834	2,259	3,105
Cash at beginning of year	744	928	1,258	3,092	5,351
Cash at end of year	928	1,258	3,092	5,351	8,457
Gross cash flow	**246**	**770**	**2,130**	**3,861**	**5,041**
Free cash flow	**-309**	**2,420**	**1,389**	**2,527**	**3,424**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	32.3	21.1	21.4	38.5	14.9
Operating profit	nm	294.8	188.9	78.2	36.0
Net profit	nm	2,417.3	127.8	99.1	37.0
Adjusted EPS**	nm	2,417.7	92.6	95.9	37.0
Per-share data (KRW)					
EPS (parent-based)	278	7,001	13,486	26,421	36,203
EPS (consolidated)	278	7,001	13,486	26,844	36,782
Adjusted EPS**	278	7,001	13,486	26,421	36,203
BVPS	58,660	64,259	63,045	105,946	132,149
DPS (common)	0	2,090	5,661	7,500	10,000
Valuations (x)					
P/E***	1,941.9	77.1	40.0	20.4	14.9
P/B***	9.2	8.4	8.6	5.1	4.1
EV/EBITDA	128.6	55.8	23.3	13.0	9.1
Ratios (%)					
ROE	0.5	11.4	23.0	31.3	30.4
ROA	0.1	3.4	6.6	9.7	10.4
ROIC	1.8	9.2	25.6	31.4	34.4
Payout ratio	0.0	29.9	42.0	28.4	27.6
Dividend yield (common)	0.0	0.4	1.0	1.4	1.9
Net debt to equity	39.7	-4.2	-25.5	-38.3	-55.5
Interest coverage (x)	1.4	4.7	22.6	38.7	66.7

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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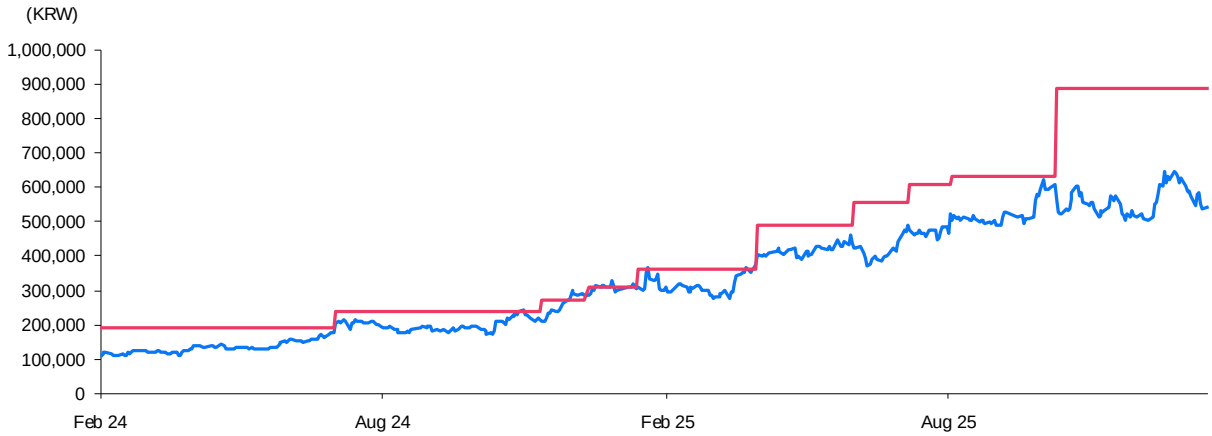
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/7/13	2024/7/13	2024/7/26	12/6	2025/1/6	2/7	4/25	6/26	8/1	8/28	11/4
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	189000	189000	240000	270000	310000	360000	490000	557000	610000	630000	890000
Gap* (average)	-33.76	-10.04	-16.98	-5.02	-0.44	-12.25	-14.73	-25.30	-22.82	-16.24	
(max or min)**	-16.61	-6.08	0.83	10.37	5.48	4.44	-5.41	-11.94	-14.59	-0.95	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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